

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1676-02
Bill No.: Perfected SCS for SB 366
Subject: Business and Commerce; Cooperatives
Type: Original
Date: April 6, 2011

Bill Summary: This proposal creates Missouri cooperative associations.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|-------------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| General Revenue | (\$30,000) | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (\$30,000) | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------|----------|----------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Attorney General (AGO)** assume this proposal allows the AGO to bring an action to recover civil penalties for the state. AGO assumes it would need one Assistant Attorney General I to assist with referrals, coordinate investigations and bring any necessary actions pursuant to the proposal.

Officials at the **Office of the Secretary of State (SOS)** assume that the cooperative associations to be filed under this section would have otherwise filed as corporations or limited liability companies if this legislation was not in existence; therefore, the impact to TSR is expected to be minimal as the loss of revenue from the elimination of the requirement for corporate registration reports to be filed either annually or biennially would be offset by the slight difference between the filing fee for corporations (average of approximately \$70 per origination filing for a corporation) and cooperative associations (\$105). An estimate of the number of businesses electing to form cooperative associations cannot be accurately determined.

Because this appears to be a new type of business entity (not a corporation, a limited liability company or a cooperative under Chapter 357) with unique filing requirements and fees, the SOS would need to have computer programming completed on the existing (KB) system used to process business entity filings and on the new (SystemWORKS) processing system to be implemented in November 2011 in order to be able to process the filings for cooperative associations. The cost is projected to be \$30,000.

Oversight assumes that it is unclear how many businesses will elect to form a cooperative association and therefore, Oversight assumes that the Office of the Attorney General can absorb the duties of this proposal with existing resources. Should the AGO experience a measurable increase in its workload as a direct result of this proposal, then it can request additional FTE in future budget requests.

| <u>FISCAL IMPACT - State Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
|--|--------------------------|-------------------|-------------------|
| GENERAL REVENUE | | | |
| <u>Cost - Secretary of State</u> Computer programming changes | <u>(\$30,000)</u> | <u>\$0</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(\$30,000)</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act creates cooperative associations as a new type of business organization formed for any lawful purpose to conduct business in the state of Missouri. The association shall be comprised of members and governed by a board of directors. Members may be patron or non-patron members. Patron members are those that conduct business through or with the cooperative. The cooperative may elect to be taxed as a corporation or as a partnership.

The articles of association may limit a director's liability except for a breach of the duty of loyalty, intentional misconduct, illegal distributions, and improper benefits. Cooperatives may indemnify persons in certain situations.

The act provides requirements for the organization of associations such as defining organizational purpose, who may organize, cooperative names, elements to be included in articles of organization and bylaws and requirements for amending both and the members right to inspect the cooperative's documents.

The act provides requirements governing the actions and liabilities of directors and officers including the number and election procedures for directors, quorum requirements, removal procedures for directors and officers, meeting requirements, limitation of liability and

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FISCAL DESCRIPTION (continued)

indemnification procedures.

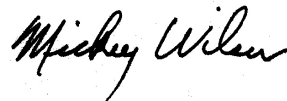
The requirements governing members are enumerated including membership interests, member meeting requirements, voting rights, sale of assets, and contribution agreements.

The act sets forth the method for merger, consolidation, and dissolution.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Attorney General
Office of the Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 6, 2011